

Petronas Dagangan (PETD MK)

3Q25: Anticipating Various Challenges Ahead

Highlights

- PETD's 9M25 core profit is deemed a miss**, given signs of softness in volume growth, potential spike in marketing opex, and most importantly anticipation of unfavourable jet fuel price movements in 4Q25. Having said that, we think risk-reward remains balanced, due to its strong balance sheet. This helps PETD weather the unexpected new market environment while it continues to forge ahead with its energy transition plans in the areas of green mobility (two-wheelers via Blueshark), low-carbon fuel (used cooking oil/sustainable aviation fuel), and digital platforms (SETEL app). We retain forecasts assuming the jet fuel factor is likely a short-term event. Retain HOLD, target price: RM23.20.

3Q25 Results

Year to 31 Dec	3Q25 (RMm)	qoq % chg	yoy % chg	Ytd 2025 (RMm)	yoy % chg	Comments
Revenue	9,532.3	5.1	(2.0)	27,690.8	(4.4)	3Q25 volume growth, yoy/qoq: +4%/+4%
-Retail	4,945.1	2.3	(3.4)	14,495.8	(5.6)	3Q25/ 9M25 volume growth, yoy: -1%/-7%
-Commercial	4,526.6	8.6	(0.3)	13,005.9	(2.9)	3Q25/ 9M25 volume growth, yoy: +11%/+12%
-Convenience	60.6	(5.7)	(14.3)	189.1	(7.7)	
EBIT	386.6	2.9	(13.3)	1,169.6	0.1	3Q25 EBITDA: RM468m (3Q24: RM544m)
-Retail	178.1	9.1	(15.1)	531.6	(13.9)	In comparison, Petron Malaysia's (PMRMB)
-Commercial	174.7	(2.9)	(14.3)	530.8	9.3	3Q25/ 9M25 volume growth: +2%/-2%
-Convenience	29.2	(10.4)	5.4	95.8	22.8	For 3Q25, PMRMB's domestic sales grew 4%
Operating margin (%)	4.1	(0.1)	(0.5)	4.2	0.1	9M25 volume growth PETD/ PMRMB:0%
Finance cost	(3.1)	(7.0)	26.4	(10.0)	43.1	
Associates	4.6	213.5	(1.2)	11.4	(189.4)	
Pre-tax profit	386.6	3.4	(13.3)	1,169.6	0.1	3Q25 exceptional items (EI):
Income tax	(97.4)	(3.5)	(8.1)	(306.4)	(2.0)	- RM1.6m forex loss
Net profit	281.2	5.9	(16.1)	840.3	0.3	- RM5m asset/ inventory/ debt write off
Core profit	281.9	4.5	(19.5)	845.8	(2.2)	- RM6m write-back and disposal gains

Source: Petronas Dagangan, Bloomberg, UOB Kay Hian

Analysis

- 9M25 core profit comprised 70%/72% of our/consensus forecasts.** The decline in 3Q25 core profit (-20%) and EBITDA (-14%) yoy growth seems substantial. We take into account that 3Q24 was an exceptionally strong quarter, as Petronas Dagangan (PETD) outperformed industry growth during the commencement of the nationwide Diesel Subsidy Retargeting in Jun 24, and benefitted from favourable jet fuel movements during that quarter. 3Q25 EBITDA is still consistent with the 1Q/2Q25 base of RM480m each. PETD remains strong in balance sheet management, having curbed receivables exposure from a single commercial customer (receivables past due >90 days were reduced from RM47m in 2024 to RM30m currently), and cash has again surged to an all-time high of RM3.9b.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	36,749	37,950	36,841	38,740	40,746
EBITDA	1,588	1,889	2,121	2,037	2,101
Operating profit	1,149	1,372	1,522	1,442	1,475
Net profit (rep./act.)	777	1,114	1,187	1,100	1,123
Net profit (adj.)	753	1,114	1,187	1,100	1,123
EPS	98.9	112.3	119.5	110.7	113.1
PE	19.3	16.9	15.9	17.2	16.8
P/B	3.3	3.2	3.1	3.0	3.0
EV/EBITDA	12.0	10.6	10.1	10.5	10.2
Dividend yield	4.2	5.2	5.5	5.1	5.2
Net margin	2.5	3.0	3.2	2.8	2.8
Net debt/(cash) to equity	(47.1)	(23.5)	(47.3)	(48.8)	(50.2)
Interest cover	126.1	97.7	78.3	60.7	52.4
ROE	17.0	19.8	20.8	19.1	19.2
Consensus net profit	-	-	1,112	1,117	1,143
UOBKH/Consensus (x)	-	-	1.12	0.98	1.00

Source: Petronas Dagangan, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM20.82
Target Price	RM23.20
Upside	+11.4%

Analyst(s)

Kong Ho Meng

homeng@uobkayhian.com

+603 2147 1987

Stock Data

GICS Sector	Energy
Bloomberg ticker	PETD MKDL
Shares issued (m)	993,55,64
Market cap (RMm)	20,684,010,3
Market cap (US\$m)	4,298.92,5
3-mth avg daily t'over (US\$m)	5.87.4

Price Performance (%)

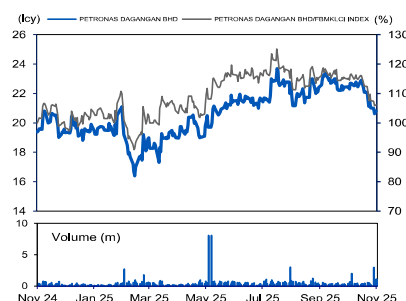
52-week high/low RM23.80/RM16.10

1mth	3mth	6mth	1yr	YTD
(7.2)	6.0	6.1	9.0	7.88

Major Shareholders

	%
Petroleum Nasional Bhd	63.9
Employees Provident Fund	13.2

Price Chart



Source: Bloomberg

Company Description

The principal domestic marketing arm of Petronas for downstream products, in retail, commercial, liquefied petroleum gas (LPG) and lubricants.

- **However, we still deem the results below expectations.** Firstly, 3Q25 marks the first quarter of a meaningful yoy comparison on Malaysia's fuel consumption since the implementation of Diesel Retargeting. It was said that Malaysia's monthly diesel sales fell 40% from 770m litres in 5M24 to 465m litres in Jun-Dec 24. While qoq volume growth was still commendable driven by higher diesel demand, the yoy retail fuel volume decline suggests cautious spending behaviour. This was likely reflected industry-wide, as both PETD and PMRMB recorded flattish growths for 9M25 volumes.
- **Last but not least, we anticipate unfavourable jet fuel trends towards 4Q25.** Defying forecasters' assumptions, jet fuel (which already outperformed relative to crude and other distillates ytd) seems ready for another uptrend in 4Q25, while crude prices remain depressed. The recent sanctions on Russian-related crude coupled with Ukrainian attacks on Russian refinery, will coincide with turnarounds in some of the key jet fuel producers in India and the Middle East. PETD's commercial margins have a historical inverse correlation during periods of unusual uptrends in jet fuel, which is unfavourable for its jet fuel contracts that typically include a lag between market jet fuel prices and the final contract price paid by aviation customers.
- **RON95 BUDI95 potentially changed the ball-game of retail fuel station competition...** While the whole nation is adapting to the new system, including a case where many citizens misplaced MyKads in fuel stations after pumping RON 95, we see potentially 2-3 competitive areas of increasing intensity. Firstly, we highlighted before that for the sale of unsubsidised fuel, it appears that each fuel station is free to set prices ie not bound by any components in the automatic pricing mechanism, as observed by Double Petrol's unsubsidised fuel stations in the North region. Perhaps, petrol stations are free to "undercut" competition in the sales portion of unsubsidised fuel.
- **....extending to contract liabilities, but not a major risk.** Secondly, given that now every eligible user has a monthly quota, consumer behaviour may change radically. Based on this, simply boosting services and appeal of non-fuel avenues may not be sufficient. We observed that all oil operators are now offering loyalty points and cashback rewards (effectively another form of subsidy), to capture RON95/BUDI95 users and motorists. There is a strong motivation to do so, as the government claims the average Malaysian consumes only 80 litres (instead of 300 litres) per month. Positively, PETD follows the highest accounting standards by recognising Mesra points as a deferred revenue/contract liability. Also, the contract liability and e-wallet liabilities in 2024 were RM65.3m and RM68.5m respectively and are small relative to its cash/balance sheet.

Valuation/Recommendation

- **Retain HOLD with a target price of RM23.20.** This implies 2026F PE and dividend yields of 21x and 4.2% respectively. We believe PETD is well-positioned to weather any uncertainties in the retargeting implementation. It has ample working capital to withstand another level of receivables stress.

Earnings Revision/Risk

- **Retain earnings forecasts, pending management's briefing today.**

Price Comparison At Fuel Stations

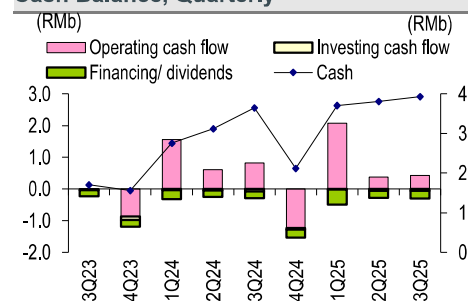
RON 95, RM/Litre	Bukit Kayu Hitam	Padang Besar	Peninsular Malaysia*
15 Aug 2025	2.58	2.64	n.a (2.05)
26 Aug 2025	2.60	2.66	n.a (2.05)
22 Sep 2025	2.57	2.66	n.a (2.05)
26 Nov 2025	2.65	2.63	2.65 (1.99)

Diesel, RM/Litre	Bukit Kayu Hitam	Padang Besar	Peninsular Malaysia*
15 Aug 2025	2.79	2.89	2.90 (2.15)
26 Aug 2025	2.79	2.95	2.88 (2.15)
22 Sep 2025	2.87	2.95	2.93 (2.15)
26 Nov 2025	2.98	2.94	3.10 (2.15)

*Note: Brackets relate to subsidised fuel prices. For RON95 fuel, RM2.05 was the subsidised price prior to 30 Sep 25. Thereafter marks the new era of BUDI RON95 BUDI95, priced at RM1.99. Subsidised diesel price of RM2.15, is only widely accessible in East Malaysia only, after Jun 24

Source: Double Endorse, <https://doublepetrol.com.my/>

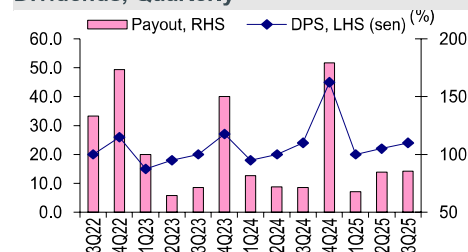
Cash Balance, Quarterly



Note: Cash Reflected on RHS axis

Source: PETD, UOB Kay Hian

Dividends, Quarterly



Source: PETD, UOB Kay Hian

Oil Companies' RON95 BUDI95 Incentive

Oil company Details

Petronas	- New SETEL user entitled for RM10 cashback upon completing first cumulative transaction of RM20 within 7 days from the date of registration - (HERO) 3x Mesra points = RM0.03 in value - SETEL is also integrated with Touch'N Go - One-Tap fuelling - allows users to activate the pump directly (and skip the queue for verification /pump activation at the counter)
Caltex	- New CaltexGo user entitled for RM10 cash, as per early BUDI95 promotion; - RM5 cash in latest BUDI95 promotion - Another RM5 reward during birthday month - Allows 2x Caltex points = RM0.02 in value
Shell	- Launched a campaign with RM2m Shell vouchers on offer. RM5 voucher for minimum BUDI95 RON95 fuel purchase of RM10. New Shell App members will get an additional RM5 Shell voucher (total RM10). - (PLATINUM) 3x BonusLink = RM0.03 value

Source: Various

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	37,950	36,841	38,740	40,746
EBITDA	1,889	2,121	2,037	2,101
Deprec. & amort.	504	498	524	550
EBIT	1,372	1,522	1,442	1,475
Total other non-operating income	(5)	(5)	(5)	(5)
Associate contributions	(21)	(27)	(34)	(40)
Net interest income/(expense)	1,497	1,592	1,475	1,506
Pre-tax profit	(374)	(398)	(369)	(377)
Tax	(6)	(6)	(6)	(6)
Minorities	1,116	1,187	1,100	1,123
Net profit	1,116	1,187	1,100	1,123

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	4,117	4,702	4,877	5,025
Other LT assets	64	7	7	7
Cash/ST investment	1,507	3,226	3,489	3,748
Other current assets	5,799	3,710	3,332	2,951
Total assets	11,487	11,646	11,705	11,731
ST debt	52	50	50	50
Other current liabilities	5,388	5,091	4,909	4,691
LT debt	100	375	484	593
Other LT liabilities	110	153	153	153
Shareholders' equity	5,768	5,885	6,008	6,137
Minority interest	68	74	80	86

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	(87)	3,103	1,702	1,744
Pre-tax profit	1,353	1,497	1,410	1,436
Tax	365	374	353	359
Other operating cashflows	463	502	529	556
Investing	(5)	-5	-5	-5
Capex (growth)	(1,275)	1,614	140	106
Others	(988)	(644)	(676)	(708)
Financing	(310)	(493)	(493)	(493)
Others/interest paid	(467)	(530)	(530)	(530)
Net cash inflow (outflow)	(14)	(14)	(14)	(14)
Beginning cash & cash equivalent	119	0	0	0
Ending cash & cash equivalent	52	52	52	52

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	4.9	4.9	4.8	4.8
Pre-tax margin	3.6	3.5	3.5	3.5
Net margin	2.5	2.6	2.6	2.6
ROA	8.3	8.4	8.8	9.2
ROE	16.4	16.7	17.2	17.6
Growth				
Turnover	2.2	0.1	5.1	5.1
EBITDA	15.6	0.1	3.4	5.2
Pre-tax profit	19.2	(3.3)	4.7	4.8
Net profit	21.5	3.5	4.7	4.8
Net profit (adj.)	30.5	(0.7)	4.7	4.8
EPS	30.5	(0.7)	4.7	4.8
Leverage				
Debt to total capital	2.5	6.7	8.1	9.4
Debt to equity	2.6	7.2	8.9	10.5
Net debt/(cash) to equity	(23.5)	(47.3)	(48.8)	(50.2)
Interest cover (x)	126.0	88.6	70.2	59.6

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act 2001 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas ("PT UOBKH"), which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOB Kay Hian (M) Sdn. Bhd. ("UOBKHM") (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ("U.S.")	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W